

But most companies still turn to undeveloped property when seeking a site for their new facility.

For three years the former Delta Truck Body Co. site in Pennsylvania's Perry Township remained on the Pennsylvania Hazardous Sites Cleanup Act list.

The former industrial property had been vacant for eight years. But no one wanted to purchase the site for fear of assuming the liabilities for the contamination caused by the previous owners. The township had even filed a lawsuit against the owner, which

span of less than 90 days."

Initiatives such as these are giving companies more choices when it comes to finding the right site for their new facility.

Though brownfield developments are gaining popularity in some areas of the country, they still must battle a perception problem with businesses considering a site for a new building.

Initiatives Make old Industrial Sites More Attractive

BY KAREN E. THUERMER

required him to clean up the property.

Today, however, the site is home to Keystone Environmental Services, thanks to efforts by Brownfield Realty, Ltd., an Allentown, Pa., real estate investment company that specializes in brownfield (another term for older industrial) sites.

To make the site desirable again, Brownfield Realty partnered with the Pennsylvania Department of Environmental Protection, the prior owner, and three taxing authorities.

Together, they took advantage of the state's Land Recycling Act — legislation enacted in 1995 — and made the site the first Special Industrial Area under Pennsylvania's Brownfields Law (Act 2).

Today, 36 other states have similar laws that encourage the cleanup and reuse of vacant, abandoned or underutilized commercial and industrial land.

"Because of our legal and technical expertise, we were able to eliminate all immediate, direct and imminent threats to public health and the environment," says Paul Schoff, president of Brownfield Realty.

"In addition to the removal of two 5,000-gallon underground tanks, 300-plus 55-gallon drums, 666 tons of soiled textile products and ongoing monitoring of groundwater, we were able to do all of this in the

"The biggest advantage of a brownfield is they are usually strategically located," said consultant Dave Kolzow of Lockwood Greene in Greenville, S.C.

"They are close to centers of transportation. There is also usually a high population density around brownfields so the work force is close by."

Kolzow agreed that one of the long-running obstacles to brownfield development has been environmental restrictions and penalties.

In the past, the buyer of a property has been responsible for any environmental penalties or improvements that had to be done to the property, even if the buyer didn't know about the problem at the time of purchase.

"The trend now is that the buyer of the property does not have to assume responsibility for problems that were there without their knowledge," Kolzow said. "This has for a long time been one of the greatest barriers to brownfields."

The rules governing environmental issues in brownfield areas vary from state to state, so potential buyers should check into laws before obtaining property.

Generally, Kolzow said, greenfield (undeveloped) areas are cheaper to acquire and develop. Land may



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Delta Truck Body Company's former facility in Pennsylvania's Perry Township sat vacant and on a state hazardous cleanup list until Brownfield Realty partnered with the state, the prior owner and three local governments. Using provisions of the state's Land Recycling Act, they put the property back into use by having it classified as a Special Industrial Area.

be cheaper, and the lots may be larger. But Kolzow warned that long-term costs can sometimes favor brownfield areas.

"One issue to consider is if the greenfield area continues the trend of urban sprawl," Kolzow said. "If utilities and other infrastructure have to be extended out to the area, the ultimate cost to the community can be higher than in a brownfield area.

"Usually in a brownfield, the roads and utilities are already in place, so that can be a more attractive place down the road and for the community."

Redevelopment initiatives

Many locations across the United States that were once used for industrial and commercial purposes are now being considered for redevelopment thanks to an economic redevelopment initiative of the U.S. Environmental Protection Agency.

This initiative is designed to empower states and communities to work together in a timely manner to prevent, assess, safely clean up, and reuse brownfields.

As of July 15, 1998, the federal government had awarded 228 brownfield sites with funds through cooperative agreements of up to \$200,000 each for a two-year period. These grants have leveraged nearly \$1 billion for redevelopment and created over 2,000 jobs.

Brownfields vs. new sites

Although environmental issues are important when considering a brownfield site, real estate value is still the pre-eminent issue.

"New Jersey, in particular, is so hot that developers are even raising the roofs on existing buildings to create more room."

— Paul Schoff, president, Brownfield Realty Ltd.

"We have dealt with a number of brownfield sites that involved anything from windows containing lead-base paint to those that contain dioxin," Schoff says. "When we first look at a brownfield property, we concern ourselves with whether or not the site has real estate value."

Part of that assessment includes the site's potential room for expansion, access, and the top criteria in all real estate: location, location and location.

Brownfield markets

For the time being, the markets on both the East and West Coast appear to be the most active for brownfield investment.

"New Jersey, in particular, is so hot that developers are even raising the roofs on existing buildings to create more room," says Schoff.

Driving the need for rehabilitated brownfield sites in these markets are the growing economy in these regions and the increased need for space to accom-



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modate high-tech industries such as biotech, pharmaceuticals, and computers/ software.

"Most of these sites need to be located in areas with access to transportation infrastructure," he says.

Brownfield Realty Ltd. is marketing a 256,000 square foot brownfield site it purchased in Cranford, N.J., next to the Garden State Parkway.

"The site was contaminated, but we bought it because the demand in that area is very strong for office, research and industrial space," Schoff says. The company has done the same with Kettle Point, a 50-acre site in East Providence, R.I.

Schoff emphasizes, however, that the trend toward purchasing and cleaning up contaminated brownfield sites is primarily regional.

"If you go elsewhere where available land in key locations is more ample this may not be the case," he says.

Another point Schoff stresses is the need to know who the seller or — in the case of leased space — the buyer is, and that this company has experience in cleaning up contaminated sites.

"There are a lot of environmental companies out there that do brownfield work such as remediation and testing," he says. "But they have no real estate experience." **EM**

Metal Source, a metal recycling company, occupies a former brownfield site in Perry Township, Pa. The site sat vacant for three years until state and local government and the property's previous owner worked together, using the state's Land Recycling Act, to put it back into industrial use.